

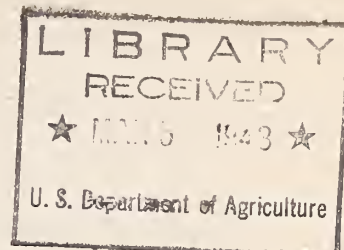
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Food Distribution Administration  
Washington, D. C.



Why the 3 Percent Increase in Agricultural Freight Rates Should  
be Removed

Summary of Statement by Frederick V. Waugh, Chief, Program Analysis  
and Appraisal Branch, at the hearing of the Interstate Commerce  
Commission, on Ex Parte 148, Washington, D. C., February 3, 1943

The Secretary of Agriculture, through counsel and witness, appears at this hearing in a dual role. First, as Secretary of Agriculture, and secondly under his war powers as the Government officer charged with full responsibility for and control over the Nation's food program under Executive Order 9280. Incident to this latter capacity the Secretary has established in the Department a Food Production Administration and a Food Distribution Administration. The great power and authority of these Administrations will be brought to bear on the agricultural program of the Nation. I point this out to give added weight to the testimony I expect to give with reference to increased agricultural production and distribution for the duration of the war and for an indefinite period thereafter.

On March 18, 1942 railroad freight rates on most commodities were increased. Rates on most agricultural products were increased by 3 percent. The railroads had requested increases of 10 percent on the ground that such an increase was necessary to cover higher wage rates and other operating costs. In the hearings on this matter the Department of Agriculture took the position that no general increase in rates was necessary for agricultural products because it seemed apparent to the Department that there would be in 1942 a greatly expanded output not only of agricultural products but of war materials and other commodities. The Department argued further that the revenue from this increased volume of traffic would be ample to cover the increased expenses of the railroads. Reviewing what happened during the past year, we believe this position was fully justified. Railroad revenues have increased much more than enough to take care of added operating costs. As a result, the net revenues of the railroads are the highest in a number of years.

This point has been covered in some detail by the testimony presented by the Office of Price Administration. Furthermore, the records of railroad revenues and expenses are available to the Interstate Commerce Commission. Under these circumstances it is not necessary for the Depart-

ment of Agriculture to take the time of this Commission to discuss the railroad revenue situation in any detail. We simply wish to repeat our statement of last year, and as reiterated in our petition, that the increase which was granted in 1942 was not necessary to cover the increased costs of the railroads; to note that this has been amply verified by developments of the past year; and to state that in our best judgment it would be both possible and desirable now to rescind the action taken last year and to reduce the rates on agricultural products to the levels prevailing before March 18, 1942.

Record Agricultural Production in 1942

At the hearing last year the Department stated its belief that the production of agricultural products would be substantially increased. This was not an idle statement, although some participants in the hearing appeared to be skeptical of the ability of anyone to forecast agricultural output. The Department conducted a vigorous "agricultural goals program" to increase the acreage of the most essential crops and to provide farmers the assistance they most needed in order to get a maximum output of crops and livestock products. It is not to be overlooked, of course, that good weather prevailed during the growing season of 1942, but the efforts of the Department and the whole-hearted cooperation of farmers were very substantial factors in assuring the food supplies we needed. The result of this combination of a strong Department of Agriculture program, excellent cooperation of farmers, and fine weather was the greatest output of agricultural products which ever occurred in this country.

The details of crop production in recent years are shown in Exhibit A. We should like to call your attention to the following figures which illustrate some of the increases that took place:

Corn: 1942 production 19 percent greater than 1941. (The increase for all grains was 11 percent).

Cotton: 1942 production 21 percent greater than 1941.

Soybeans (a crop of rapidly growing importance): 1942 production almost double that in 1941. (Peanut production also increased 70 percent).

Sugarcane and sugar beets: 1942 production 19 and 16 percent, respectively, greater than 1941.

It is, of course, difficult to get from such a detailed exhibit a clear, simple picture of the increase which occurred. Perhaps the simplest statement we can make is that the total estimated tonnage of crops

reported increased from some 353 million tons in 1941 to nearly 388 million tons in 1942 -- a 10 percent increase.

There can be no doubt that the railroads benefited very substantially from this increased output of agricultural products. The quarterly statistical report of the Interstate Commerce Commission's Bureau of Statistics shows that for the first 9 months of 1942, Class 1 railroads originated 77,076,852 tons of commodities included in the classification "products of agriculture." This was an increase over the same period in 1941 of nearly 12 percent.

Figures given in Exhibit A refer only to crops and do not include livestock and livestock products. However, it is quite evident that the output of livestock and livestock products increased even more than the output of crops. The Commission reports that the tonnage of animals and products originated during the first 9 months of 1942 increased more than 24 percent over the volume hauled during the corresponding period of 1941. Livestock receipts by rail at 68 markets, as shown in Exhibit B, likewise bear testimony to the increased volume of this type of business which the railroads have obtained. Increases for the year as a whole averaged 25.0 percent over 1941. Considering the fact that the heaviest movement of farm products occurs during the late fall months, it is expected that complete reports on rail movement of farm products for 1942 will show even greater increases than were shown during the first 9 months of the year.

Continued Heavy Rail Movement of Farm Products  
Expected in 1943

No one yet has been able to forecast the weather accurately over long periods. We all will admit that the weather in 1943 will affect agricultural production. But we should remember that agricultural production depends only in part upon the weather. It depends also upon the acreage planted; the number of animals raised; the amount of feed available; the farm labor situation; and similar factors -- many of which we can already forecast with a reasonable degree of accuracy. The considered judgment of the Department of Agriculture is that production in 1943 will continue at high levels.

The Department of Agriculture and the Secretary of Agriculture under his war powers have thrown all their resources into the production goals campaign this year. The goals which have been established are shown in Exhibit C. The goals themselves are usually stated in terms of



acreage and numbers of livestock. In addition to this information, Exhibit C shows the volume of agricultural production which would occur with normal growing conditions.

It will not be easy for the farmers of the United States to reach these high goals. They are confronted with extremely serious problems, including the shortage of farm labor, inadequate equipment and supplies, the disruption of marketing arrangements in some areas, and higher costs of production generally. Still, the important fact for us to note here is that the goals as shown in Exhibit C call for a continued high output from American farms and that all agricultural resources of the Government and, we believe, of American farmers generally will be devoted to that end. We need the large output very badly and are doing everything we can possibly do to help the farmer reach it. We are confident that we can find ways of overcoming the worst difficulties and of making it possible for agriculture to continue to produce the amounts of food needed by our domestic consumers, by our military forces, by our Allies, and by civilians in reoccupied countries.

Moreover, we should note that the increased food supplies which are badly needed must move in large part by rail. We do not have to submit any elaborate factual material here to prove that there is a shortage of gasoline and rubber, as well as trucking equipment. Judicial notice could well be taken of this fact. This is being felt more and more in farming communities. Many farm products which formerly would have moved by truck now must move by rail. The importance of the previous truck movement of farm products is well brought out by the fact that with some commodity groups, such as fresh fruits and vegetables, nearly half of the total movement has hitherto been by truck. Some of this truck movement has been over fairly long distances of several hundred miles. Trucks for moving agricultural products will become increasingly scarce for a long time to come. Farmers, food processors, and dealers in farm products will have to rely more and more on the railroads for moving their products.

#### Long-Time Outlook for Agricultural Production

It is not only possible to forecast, in a general way at least, the probable output of agricultural products in 1943 but to visualize general outlines for the long-time picture some of which are already clearly apparent. The war, of course, has made it absolutely essential that the American farmer continue to produce large quantities of food.

These increased food supplies must be maintained if we are going to win the war and if we are going to prevent wholesale starvation and political upheavals throughout the world after the war.

We are confident that agricultural production will be maintained at high levels for many years and that the railroads will continue to enjoy a large volume of agricultural traffic. Moreover, huge stocks of some commodities already exist, and will be moved into consumption. As shown in Exhibit D, huge stocks of wheat are available for shipment. This wheat, which has already been produced, is yet to be moved and will add to the rail traffic in the coming years. A substantial part of these stocks, as well as a large part of the increases in current production of agricultural commodities and foods, will be shipped abroad and will move almost entirely by rail to the ports where it is loaded into ships. Reasons of military secrecy prevent giving details of such shipments. The Secretary of Agriculture<sup>1/</sup> has stated, however, that "military and lend-lease needs together took between 12 and 13 percent of last year's food production", and that "our armed forces and allies will need almost a quarter of all we produce in 1943." All Lend-Lease foods are moved under the regular commercial rates -- not land grant rates.

We have shown that agricultural traffic on the railroads was increased very substantially in 1942; that it will remain high throughout 1943; and that we have every reason to believe that rail shipments of agricultural products will be maintained at high levels for a number of years. We contend that this is an important fact which should be taken into consideration in determining freight rates. In the long run the railroads, as well as the farmer and the consumer, will be benefited more by handling a large volume at moderate rates, than by handling a small volume at high rates.

#### Heavier Loadings of Agricultural Products in 1942

The railroads not only moved more agricultural traffic in 1942, but they did it without a corresponding increase in locomotives and freight cars. This was accomplished by heavier loading of railroad equipment, the combining of shipments, and quicker release of cars. The Department of Agriculture did everything it could, in cooperation with the Interstate Commerce Commission and the Office of Defense Transportation, to encourage these heavier loadings and other economies. The county agents and the Agricultural War Board members throughout the country have been kept in-

<sup>1/</sup> Address before the National Association of Wholesale Grocers, Chicago, January 27, 1943

formed of the conservation program and orders of the Office of Defense Transportation, and they took a very active part in encouraging shippers to adjust their methods to new requirements and conditions in order that existing equipment could be used as fully and as effectively as possible. The Department of Agriculture supports strongly any practicable measures to make efficient use of our transportation facilities. The Department believes, however, that it is only fair to point out that the monetary advantage of such changes goes, mainly at least, to the railroads which are given greater revenue without corresponding increases in cost. Thus, revenue advantages from these economies made largely by the shipper, have gone mainly to the railroads:

#### Agriculture Paying More for Less Service

In many cases, at least, farmers and shippers of agricultural products are receiving less service from the railroads than they received before the rates were increased. The number of days in transit have increased and schedules are uncertain. This means that the shipper has greater difficulty in planning his movements to market in order to take advantage of supply and demand situations in particular areas. He must run the risk of having perishables reach the market in periods of glut. Heavier loadings per car are also costly to the shipper and they interfere with some of his market outlets. Moreover, he must bear many extra costs, due to delays, shrinkage, deterioration, extra icing, heating, feeding of animals, etc.

During the past 10 months the farmers have been paying a 3 percent higher freight rate for less service than they had before, with the monetary benefits going to the railroads. For all practical purposes the cost of shipping agricultural products and food by rail have increased by more than 3 percent in the past year. To keep the cost of food transportation down to pre-war levels it would be necessary not only to remove the 3 percent increase, but to reduce the actual rates on these products to a point below that which existed before the war.

#### Economic Situation Confronting Agriculture

The Department of Agriculture is in close touch with farmers throughout the country. It knows that they are faced with very serious difficulties. The Department believes firmly and sincerely that it will be necessary to assure the farmer of a larger return for many farm products in order to get the supplies which are needed as an essential part



of the war program. We realize that these supplies cannot be obtained by prices alone. Farmers must also be assured of necessary labor, supplies, equipment, etc. But one of the most effective ways of helping the farmer to get these things is through insuring him adequate prices for the things he produces. For this reason the Department of Agriculture has found it necessary to announce in advance a number of specific price-support programs. Prices of agricultural commodities and foods have risen in the past year, but some must rise more if the farmer is to keep his labor on the farm.

On the other hand, it is a settled policy of the Government not to raise the cost of living any more than is absolutely necessary. The Department of Agriculture is in accord with this policy and accordingly keeps the consumer, as well as the farmer, constantly in mind. A rise in food prices would be particularly unfortunate. Foods represent the most basic items in the cost of living. They are bought by all people -- from the richest to the poorest. The lowest-income families spend a large part of their total income for food. A rise in food prices would almost certainly result in at least a corresponding rise in wages and this would tend to set in motion an inflationary spiral which would be very difficult to control and which, if uncontrolled, would spell disaster to the farmers, to businessmen, and to all other segments of the public, including the railroads.

Thus, we are confronted with a real need for raising the returns to the producers of many foods and yet we must do this without raising the cost of living. There are only two possible solutions to this problem. The first solution is subsidy; the second is a reduction in costs of marketing. It might be possible to raise returns to farmers without increasing living costs if the Government paid substantial subsidies to the farmer, to the railroads, to the processors, to food dealers, or to consumers. Yet such a program involves many difficulties and dangers, and the policy of the Government has been to subsidize as little as possible, but to take what steps are needed to insure the farmer adequate prices in the market and at the same time to prevent unnecessary increases in retail prices.

The arithmetic of this problem is fairly simple. Unless the Government does provide substantial subsidies, the only way of giving the farmer adequate returns and at the same time preventing a rise in living costs is by reducing as far as we possibly can all the costs between the farmer and the consumer, including, for example, all charges of processing,

manufacturing, packaging, and distributing foods. This is no time to be raising charges for transportation, marketing, and distribution. We should keep these charges at an absolute minimum. The Department is working with many groups in the food industries to reduce the costs and charges for handling foods. It believes that the 3 percent increase in agricultural freight rates which was made last year was unnecessary and that it is one of many factors which is hindering our Food for Freedom Program. While freight rates may represent a small part of the retail dollar for some food items, they are much more important in the case of others. In any case, the marketing bill is made up of hundreds, and even thousands, of small charges, each of which represents a small fraction of the consumer's food dollar. One of the most important jobs on the food front is to keep all of these hundreds and thousands of charges and rates as low as we possibly can.

#### Conclusion

In view of the facts and analysis just presented the Department of Agriculture urges that freight rates on all agricultural products and foods, including livestock and livestock products, and including processed foods as well as unprocessed farm products, be so adjusted that they are no higher than the rates which existed at the beginning of 1942. It repeats that it believes this will provide the railroads with more than sufficient income to cover costs and will provide net revenues which compare very favorably with those of recent years. It will help very substantially the efforts of the farmer and the Government to produce the foods <sup>we need</sup> to win the war and will help materially to protect consumers against rising costs of living.

EXHIBIT A

Production of Principal Crops in 1942 Compared With 1941 and the Average for 1930-1939, Inclusive

Crop	Unit	Production (In Thousands)			Production 1942 as Percentage of -		
		1942	1941	1930-1939 <u>1/</u> Average	1941	1930-1939 Average	
Corn, all	Bushels	3,175,154	2,677,517	2,307,452	119	138	
Wheat, all	Bushels	981,327	943,127	745,575	104	132	
Oats	Bushels	1,358,730	1,180,663	1,016,061	115	134	
Barley	Bushels	426,150	362,082	226,460	118	188	
Rye	Bushels	57,341	45,364	37,870	126	151	
Buckwheat	Bushels	6,687	6,038	7,365	111	91	
Flaxseed	Bushels	40,660	32,285	11,252	126	361	
Rice	Bushels	66,363	51,323	45,712	129	145	
Popcorn	Pounds	153,275	121,823	86,853	126	176	
All sorghums for grain	Bushels	107,245	111,784	52,747	96	203	
All sorghums for forage	Tons <u>3/</u>	13,603	16,572	8,803	82	155	
All sorghums for silage	Tons <u>4/</u>	6,881	8,774	2,459	78	280	
Cotton, lint	Bales	12,982	10,744	13,246	121	98	
Cottonseed	Tons	5,790	4,788	5,890	121	98	
Hay, all	Tons	105,328	94,328	78,733	112	134	
Alfalfa seed	Bushels	974	1,049	1,101	93	88	
Red clover seed	Bushels	1,082	1,469	1,057	74	102	
Alsike clover seed	Bushels	256	313	314	82	82	
Sweet clover seed	Bushels	725	787	887	92	82	
Lespedeza seed	Pounds	179,700	178,700	65,786	101	273	
Timothy seed	Bushels	1,624	1,274	1,755	127	93	
Beans, dry edible	Bags <u>5/</u>	19,608	18,503	13,510	106	145	
Peas, dry field	Bags	7,160	3,700	2,471	194	290	
Soybeans for beans	Bushels	209,559	105,587	56,385	198	576	
Cowpeas for peas	Bushels	7,067	8,063	6,411	88	110	
Peanuts picked and thrashed	Pounds	2,504,440	1,476,845	1,067,438	170	235	
Velvet beans <u>6/</u>	Tons	750	929	771	81	97	
Potatoes	Bushels	371,150	355,602	370,045	104	100	
Sweet potatoes	Bushels	65,380	62,144	73,208	105	89	

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## EXHIBIT A (Continued)

Crop	Unit	Production (In Thousands)		Production 1912 as Percentage of -	
		1912	1941	1930-1939 Average	1912
					1930-1939 Average
Tobacco	Pounds	1,117,188	1,262,885	1,398,796	112
Sorgho sirup	Gallons	13,674	10,568	15,397	129
Sugar cane for sugar and seed	Tons	6,487	5,471	4,728	119
Sugar cane sirup	Gallons	18,610	18,764	20,774	99
Sugar beets	Tons	11,927	10,311	9,284	116
Maple sugar	Pounds	654	387	1,066	169
Maple sirup	Gallons	2,905	1,997	2,671	145
Broom corn	Tons	35	46	41	76
Hops	Pounds	34,896	40,380 7/	34,655	86
Apples, commercial crops 7/ 8/	Bushels	127,655	122,256 2/	123,832	104
Peaches, total 7/	Bushels	65,345	74,364	54,706	88
Pears, total 7/	Dushels	31,212	29,530	27,253	106
Grapes, total 9/	Tons	2,532	2,728 7/	2,246	93
Cherries (12 states) 7/	Tons	200	161	141	124
Plums (2 states) 7/	Tons	77	78	70	99
Prunes, used fresh (3 states)	Tons	51	45	47	113
Prunes, canned (2 states)	Tons	30	39	21	77
Prunes, dried (3 states)	Tons	181	185	232	98
Oranges (5 states)	Boxes	84,144	84,534	60,179	100
Grapefruit (4 states)	Boxes	45,533	40,294	24,383	113
Lemons (California)	Boxes	13,650	11,753	8,815	116
Cranberries (5 states)	Barrels	787	725	604	109
Pecans (12 states)	Pounds	78,100	121,488	81,166	64
Commercial truck crops	Tons 10/	12,830	11,655	9,059	110
For market (23 crops)	Tons	7,073	6,519	6,063	108
For processing (11 crops)	Tons	5,757	5,106	3,000	113

Continued



EXHIBIT A (Continued)

- 1/ The 10-year averages are revised on the basis of the 1940 census of Agriculture, except for corn, hay, potatoes and sweet potatoes.
- 2/ Short-time average.
- 3/ Dry weight.
- 4/ Green weight.
- 5/ Bags of 100 pounds (uncleaned).
- 6/ All purposes.
- 7/ Production figures include same quantities not harvested.
- 8/ Production in commercial areas, including fruit produced for processing as well as for sale for fresh consumption.
- 9/ Includes all grapes for fresh fruit, juice, wine, and raisins.
- 10/ Equivalent tons.

Source: U. S. Department of Agriculture, Summary of Crop Reporting Board





EXHIBIT B

Receipts and Disposition of Livestock at 68 Public Markets for  
1942 compared with 1941 and 5-Year Average

	R E C E I P T S										Percent of Increase, 1942 over:		
	Total Receipts			Drive-ins			Rail		Total Drive-ins				
	1942	1941	1937-1941	1942	1941	1942	1941	1941	1941	1941	1941		
			1/								Total		
Cattle (excluding calves)	17,979,227	15,228,056	14,482,455	11,480,460	10,490,754	6,498,767	4,737,302	18.1%	9.4%	37.2%	24.1%		
Calves	6,680,515	6,127,790	6,563,849	4,276,731	4,131,625	2,403,784	1,996,165	9.0	3.5	20.4	1.8		
Hogs	34,415,107	30,659,197	28,131,199	23,876,963	21,606,641	10,538,144	9,052,556	12.3	10.5	16.4	22.3		
Sheep and Lambs	28,210,940	22,817,091	23,993,093	9,100,351	7,753,954	19,110,589	15,063,137	23.6	17.4	26.9	17.6		
Total	87,285,789	74,832,134	73,170,596	48,734,505	43,982,974	38,551,284	30,849,160	16.8	10.8	25.0	19.3		
S H I P M E N T S													
Cattle (excluding calves)	7,978,736	6,240,840	6,181,620	Not reported		Not reported		27.8	-	-	29.1		
Calves	2,810,318	2,117,238	2,573,406	Not reported		Not reported		14.8	-	-	9.0		
Hogs	8,668,098	7,976,837	7,600,033	Not reported		Not reported		8.7	-	-	14.1		
Sheep and Lambs	13,763,208	11,235,877	11,912,709	Not reported		Not reported		22.5	-	-	15.5		
Total	33,220,360	27,900,840	28,272,768	Not reported		Not reported		19.1	-	-	17.5		

1/ Five-Year Average.

Source: Food Distribution Administration, U. S. Department of Agriculture



EXHIBIT C  
Agricultural Production Goals for 1943, With Estimated Production Assuming Normal Crop Yields  
(Revised to January 27, 1943)

Commodity	Crop Acreage (In Thousands)				Unit	Production (In Thousands)			
	1943	1942	1943 as	Percentage		1943	1942	1943 as	
	Goal or Expected	Reported or Expected	Percentage of 1942	Computed		Reported or Expected	Percentage of 1942		
Wheat	52,500	52,533	100	:	Bushels	651,000	981,327	66	
Rye	3,600	3,837	94	:	Bushels	40,000	57,341	70	
Rice	1,380	1,505	93	:	Bushels	66,800	66,363	101	
Corn	2/95,000	91,011	104	:	Bushels	2,834,000	3,175,154	89	
Oats	37,300	42,656	87	:	Bushels	1,137,650	1,158,730	84	
Barley	18,000	19,433	93	:	Bushels	392,000	426,150	92	
Grain sorghum 1/	12,000	9,755	123	:	Bushels 3/	152,400	149,795	102	
Hay, all	71,100	72,744	98	:	Tons	94,500	105,328	90	
Flaxseed	5,500	4,691	117	:	Bushels	39,875	40,660	98	
Soybeans for beans 1/	12,000	10,762	112	:	Bushels	216,000	209,559	103	
Peanuts picked and threshed 1/	5,500	3,690	149	:	Pounds	3,712,500	2,504,440	148	
Dry beans	3,300	2,135	155	:	Bags 5/	25,542	19,608	130	
Dry peas	725	501	145	:	Bags 5/	6,627	7,160	93	
Cotton	22,500	23,310	97	:	Bales 6/	11,300	12,982	87	
Tobacco:									
Flue-cured 1/	7/841	792	7/106	:	Pounds	750,000	824,115	91	
Burley 1/	3/421	351	8/120	:	Pounds	385,000	331,005	116	
Other domestic 1/	272	237	7/115	:	Pounds	286,000	262,068	109	
Sugar cane (for sugar and seed 1/	340	329	103	:	Tons 9/	525	537	98	
Sugar beets	1,050	1,049	100	:	Tons 9/	1,900	1,664	114	
Potatoes	3,260	2,793	117	:	Bushels	407,700	371,150	110	
Sweet potatoes 1/	1,000	707	141	:	Bushels	82,000	65,380	126	
Commercial truck crops 1/	1,676	10/1,692	99	:	-	-	-	-	
Hay crop seeds	4,709	3,392	139	:	-	-	-	-	
Hemp for fiber	300	-	-	:	-	-	-	-	
Fruit (fresh equivalent) 11/	-	-	-	:	Tons	14,610	14,718	99	
Lard	-	-	-	:	Pounds	3,400,000	2,500,000	136	
Milk	-	-	-	:	Pounds	122,000,000	119,412,000	102	
All eggs	-	-	-	:	Dozens	4,780,000	4,396,240	109	

--Continued









EXHIBIT D

TOTAL STOCKS OF WHEAT, JANUARY 1, 1943 1/

	<u>Million Bushels</u>
On Farms	495
Interior Mills and Elevators	235
Steel and Wooden Bins	50 <u>2/</u>
Terminal and Subterminal	246
Total	1,026

1/ Does not include stocks in elevators attached to mills which amounted to 150,000,000 bushels on October 1, 1942.  
2/ Estimated.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Crop Reporting Board.

